

## Message Text

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ACTION STR-04

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-01 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 EPG-02

AID-05 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

FEAE-00 OMB-01 XMB-02 OPIC-03 /105 W

-----261715Z 057043 /43

P R 261457Z MAY 77

FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 2484

INFO AMEMBASSY OTTAWA

LIMITED OFFICIAL USE MTN GENEVA 4143

ACTION STR

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: ETRD CA MTN

SUBJECT: CANADIAN TARIFF BOARD PROPOSALS FOR FRUIT AND VEGETABLE  
IMPORT PROTECTION

REF: (A) OTTAWA 4127, (B) OTTAWA 3835, (C) STATE 105939, (D) OTTAWA

A-150, (E) MTN GENEVA 662, (F) 76 GENEVA A-273, (G) 76 MTN

GENEVA 6003, (H) 76 MTN GENEVA 3955, (I) 75 MTN GENEVA 8802

1. THE CANADIAN TARIFF BOARD RECOMMENDATIONS ON FRUITS  
AND VEGETABLES AND FINANCE MINISTER MACDONALD'S SUBSEQUENT  
STATEMENT TO PARLIAMENT (REF A) HAVE IMPORTANT BROAD  
IMPLICATIONS FOR OUR MTN NEGOTIATIONS WITH CANADA IN THE  
FIELDS OF SAFEGUARDS AND TARIFFS. HAVING REVIEWED PROVISIONS  
OF TARIFF BOARD REPORT FURNISHED US BY CANADIAN DEL,  
U.S. MTN DEL WOULD LIKE TO OFFER FOLLOWING OBSERVATIONS IN  
ADDITION TO QUESTIONS AND RECOMMENDATIONS IN REFS B AND C.  
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2. ON SAFEGUARDS, WASHINGTON AGENCIES AND EMBASSY  
OTTAWA WILL RECALL THAT CANADIAN MTN DEL HAS REPEATEDLY  
ASSERTED IN GENEVA THAT TARIFF BOARD RECOMMENDATIONS  
ON SURTAX MECHANISMS WOULD HAVE CRUCIAL IMPACT UPON  
SPECIFIC FORMULATION OF FUTURE CANADIAN PROPOSALS FOR  
IMPROVED U.S./CANADIAN BILATERAL SAFEGUARD ARRANGEMENTS.

CANADIANS HAVE OFTEN CITED SUCH IMPROVEMENT AS THEIR MAIN SAFEGUARDS OBJECTIVE IN MTN (REFS E THROUGH I)--WHETHER OR NOT MULTILATERAL SAFEGUARDS CODE EXERCISE ENVISAGED BY U.S. YIELDS RESULTS--BUT HAVE HELD OFF ON DETAILED PROPOSALS IN BILATERAL AREAS WHILE AWAITING COMPLETION OF TARIFF BOARD STUDY.

3. WHILE WE AGREE WITH FREQUENTLY STATED CANADIAN VIEW THAT MARKET DISTURBANCES IN THE FRUIT AND VEGETABLE SECTOR REPRESENT A SPECIAL PROBLEM DUE TO THE SUDDENNESS AND SENSITIVITY WITH WHICH SUCH DISTURBANCES MAY OCCUR, TARIFF BOARD'S PROPOSED "AUTOMATIC" SURTAX SYSTEM FOR CERTAIN HORTICULTURAL PRODUCTS POSES OBVIOUS PROBLEMS IN TERMS OF GATT COMPATIBILITY AND POTENTIAL DAMAGE TO U.S. TRADE INTERESTS. IT BEARS DISTURBING RESEMBLANCE TO EC'S FRUIT/VEGETABLE MIP SYSTEM AND WOULD BE A PARTICULARLY OBJECTIONABLE SUBSTITUTE FOR THE CASE-BY-CASE EVALUATION OF SERIOUS INJURY PRESENTLY REQUIRED BY GATT ARTICLE XIX AND OBSERVED BY CANADA. HOWEVER, WHILE SOME CANADIAN MTN DEL MEMBERS AGREE THAT TARIFF BOARD RECOMMENDATIONS ON SURTAX MECHANISM NOW LOOK TROUBLESOME WHEN VIEWED FROM U.S. SIDE OF BORDER, AMBASSADOR GREY ON PERSONAL BASIS TOLD MTN DEL OFFICER THAT HE EXPECTED HIS "FINAL INSTRUCTIONS" WOULD BE VERY CLOSE TO WHAT TARIFF BOARD HAS PROPOSED, GIVEN THE BROAD BASE OF COMMENT AND RECOMMENDATION WHICH WENT INTO TARIFF BOARD REVIEW.

4. IN THE TARIFF AREA, MINISTER MACDONALD'S STATEMENT LINKING THE TARIFF BOARD REPORT WITH CANADA'S POSITION LIMITED OFFICIAL USE

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IN THE MTN IS DISQUIETING AND POTENTIALLY TROUBLESOME. IF THE TARIFF BOARD RECOMMENDATIONS ARE FOLLOWED, EVEN IF ONLY IN PART, CANADA WOULD HAVE TO UNDERTAKE AN ARTICLE XXVIII ACTION COVERING MOST OF ITS FRUITS AND VEGETABLES SCHEDULE. CERTAIN TARIFFS OF CONSIDERABLE INTEREST TO U.S. PRODUCERS WOULD BE RAISED EVEN THOUGH AN OVERALL BALANCE OF CONCESSIONS WOULD PRESUMABLY BE MAINTAINED. TO FOLD THIS ARTICLE XXVIII ACTION INTO THE MTN, AS MINISTER MACDONALD SEEMS TO WANT TO DO, WOULD RESULT IN SOME CANADIAN DUTIES BEING HIGHER AT THE END OF THE MTN, A RESULT WHICH WOULD BE DIFFICULT FOR US TO DEFEND AS A SATISFACTORY OUTCOME. INSERTION OF AN ARTICLE XXVIII INTO THE OVERALL NEGOTIATING CONTEXT ALSO RAISES PRACTICAL DIFFICULTIES, AS KR VETERANS WILL RECALL. IF CANADA DECIDES TO GO THE ARTICLE XXVIII ROUTE, WE SHOULD PROBABLY RESIST HAVING IT NEGOTIATED AS PART OF THE MTN. MOREOVER, IT SHOULD BE POINTED OUT TO THE CANADIANS THAT ACTIONS TO RAISE DUTIES, TAKEN IN AN MTN CONTEXT, WOULD ENCOURAGE SIMILAR ACTIONS BY OTHER

COUNTRIES WHO ARE UNDER PRESSURE TO RAISE TARIFFS.

5. IN VIEW OF THE IMPORTANCE OF THE TARIFF BOARD  
RECOMMENDATIONS TO THE WORK OF THE MTN DEL, WE WOULD  
APRECIATE BEING KEPT INFORMED AS TO THE PROGRESS OF  
THESE RECOMMENDATIONS IN OTTAWA, AND POSSIBLE USG  
REPRESENTATIONS OR TOTHER INITIATIVES. TIMING AS WELL AS  
SUBSTANCE OF SUCH ACTIONS WILL BE IMPORTANT FOR APPROPRIATE  
MTN HANDLING. WALKER

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## Message Attributes

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**Channel Indicators:** n/a  
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**Type:** TE  
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